

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**Division of Housing Policy Development**

1800 Third Street, Suite 430  
P. O. Box 952053  
Sacramento, CA 94252-2053  
(916) 323-3177  
FAX (916) 327-2643

**MEMORANDUM**

**DATE:** January 24, 2006

**TO:** Interested Parties

**FROM:** *Cathy Creswell*  
Cathy Creswell, Assistant Deputy Director  
Division of Housing Policy Development

**SUBJECT:** HUD Notice Regarding Proposed Metropolitan Area for FY2006  
Income Limits and Estimates of Median Family Income

The U.S. Department of Housing and Urban Development (HUD) is seeking comments on the above subject pursuant to the following notice by February 14<sup>th</sup>, 2006:

HUD 70 Fed. Reg. No. 241 (74988-74993) Dec. 16, 2005;  
[Docket No. FR-5011-N-01; HUD-2005-0075]  
*Direct Link on the Federal Register:* [HUD Notice](#)

The California Department of Housing and Community Development (HCD) is required by State law to publish income limits equivalent to those published by HUD for the extremely low, very low, and low income limit categories. HUD is proposing changes to the basis on which the FY 2006 income limits will be determined. The proposed changes would affect the State income limits issued by HCD pursuant to Health and Safety Code Sections 50079.5, 50101 and 50106. Since the HUD notice indicates that HUD wishes to solicit comments on this matter prior to implementation, although they have not indicated when the FY 2006 income limits will be published, HCD anticipates that the annual update of the State income limits for 2006 may be issued later than in recent years, probably not before March 2006.

In the above notice, HUD is proposing changes to the metropolitan area definitions used to calculate area median family income (AMI) estimates and income limits. An effect of this change is that there are some instances where use of the new metropolitan area definitions could result in decreases in estimates of median family income and/or income limits for some counties.

HUD is requesting comments, specifically on:

- 1) whether or not to include a hold-harmless provision for metropolitan areas which otherwise would have income limit reductions (HUD proposes to apply a hold-harmless provision); and
- 2) metropolitan area definitions where two or more metropolitan areas were merged under the new definitions. HUD is proposing to allow sub-areas in these cases, and in some cases, to allow the income limits to be based on data from the sub-area rather than the entire multi-county metropolitan area.

### Hold Harmless Issue

To illustrate the effect of the new MSA boundaries with and without the proposed hold harmless provision, HUD calculated what the 2005 very low income limits would have been using the proposed metropolitan area boundaries instead of the former ones. The HUD notice does indicate that the actual FY 2006 estimates using the new definitions are likely to be at least somewhat higher than the comparable FY 2005 estimates. Attached is an excerpt from these calculations by HUD for the metropolitan California counties that could be affected if a hold harmless provision were not applied to the FY 2006 and subsequent income limits. The FY 2005 very low income limit for San Mateo County, for example, would have been \$44,850 instead of \$56,550.

### CBSA Subareas Issue

The following counties have been merged into what is termed a “core-based statistical area” (CBSA) or metropolitan statistical area (MSA) with sub-areas. Although there are other multi-county CBSAs within California, the following represent new aggregations of counties for this designation.

CBSAs, with their sub-area distinctions include:

San Francisco-Oakland-Fremont:  
sub-area: Marin-San Francisco-San Mateo  
sub-area: Alameda-Contra Costa

Los Angeles-Long Beach-Santa Ana:  
sub-area: Los Angeles  
sub-area: Orange

Sacramento--Arden-Arcade--Roseville:  
sub-area: El Dorado-Placer-Sacramento  
sub-area: Yolo

San Jose-Sunnyvale-Santa Clara:  
sub-area: Santa Clara  
sub-area: San Benito

HUD allows some individual counties within a multi-county metropolitan area, or CBSA, to be based on its own sub-area data set (for the individual county), while the income limits for some multi-county subareas are based on data aggregated for all of the counties within the CBSA. Thus, even though Orange County is part of the larger CBSAs of Los Angeles-Long Beach-Santa Ana, and Yolo County part of the Sacramento--Arden-Arcade—Roseville CBSA, HUD proposes that the income limits for Orange and Yolo counties will continue to be based on county-level data for each of them rather than aggregate data for the entire multi-county CBSA.

Although HUD has proposed to apply hold harmless provisions and the subareas as described, it is possible that they could make a different determination on the basis of comments they receive in response to the aforementioned notice (HUD 70 Fed. Reg. No. 241 (74988-74993) Dec. 16, 2005). It is important that potentially affected parties comment to HUD regarding potential effects of the methodology issues discussed in the notice, as HCD is bound by State law to publish HUD's income limit determinations for most income categories as the State income limits. HCD encourages all parties potentially affected to submit comments to HUD on the HUD Notice; comments should be addressed to:

Office of the General Counsel  
Rules Docket Clerk  
Department of Housing and Urban Development (HUD)  
451 Seventh Street, SW., Room 10276  
Washington, DC 20410-0001

HCD also encourages parties submitting comments to HUD to also forward a copy of the comments made to HUD, to HCD. You are also encouraged to contact HCD to share your concerns before the response is due to HUD. Copies of correspondence should be forwarded to HCD at:

Department of Housing and Community Development  
Division of Housing Policy Development  
1800 3<sup>rd</sup> Street, Room 430  
Sacramento, CA 95814  
Attn: Mario Angel or Linda Wheaton  
Telephone: (916) 445-4728  
Fax: (916) 327-2643  
Email: [cahouse@hcd.ca.gov](mailto:cahouse@hcd.ca.gov)

# Attachment I: POTENTIAL IMPACT OF NEW AREA DEFINITIONS ON INCOME LIMITS: SELECTED CALIFORNIA CBSAs

These figures indicate what the anticipated difference would have been between the use of "with hold" or "without hold harmless" provisions, if the revised methodology had been applied in FY 2005. Source: HUD 70 Fed. Reg. No. 241 (74988-74993) Dec. 16, 2005. Data reformed by HCD.

County	Actual FY 2005 Very Low Income Limit	No Hold Harmless FY 2005 Comparison Income Limit	Hold Harmless FY 2005 Comparison Limit	Increase (Decrease) Without Hold Harmless	Increase (Decrease) With Hold Harmless	Adjustment Applied to Actual FY 2005 Income Limit	With Adjustment Applied to <u>No</u> <u>Hold Harmless</u> FY 2005 Comparison Income Limit	With Adjustment Applied to <u>Hold</u> <u>Harmless</u> FY 2005 Comparison Income Limit
Marin County	56,550	44,850	56,550	-21.00%	0.00%	MHH	HHC	HH2
San Francisco County	56,550	44,850	56,550	-21.00%	0.00%	MHH	HHC	HH2
San Mateo County	56,550	44,850	56,550	-21.00%	0.00%	MHH	HHC	HH2
Santa Clara County	53,050	46,950	53,050	-11.00%	0.00%	MHH		HH2
San Benito County	35,950	35,900	35,950	-0.14%	0.00%	MHH		HH2
San Diego County	34,500	32,300	34,500	-6.40%	0.00%	HHC	HHC	HH2
Ventura County	40,300	38,400	40,300	-4.70%	0.00%	HHC		HH2
Solano County	36,950	35,850	36,950	-3.00%	0.00%	MHH		HH2
Sonoma County	37,300	36,450	37,300	-2.30%	0.00%	MHH		HH2
Alameda County	41,400	40,600	41,400	-1.90%	0.00%	MHH		HH2
Contra Costa County	41,400	40,600	41,400	-1.90%	0.00%	MHH		HH2
Napa County	36,950	36,300	36,950	-1.80%	0.00%	MHH		HH2
Santa Barbara County	32,350	31,850	32,350	-1.50%	0.00%	MHH		HH2
El Dorado County	32,050	31,700	32,050	-1.10%	0.00%	MHH		HH2
Placer County	32,050	31,700	32,050	-1.10%	0.00%	MHH		HH2
Sacramento County	32,050	31,700	32,050	-1.10%	0.00%	MHH		HH2
Monterey County	30,400	30,150	30,400	-0.82%	0.00%	MHH	HHC	HH2

**DEFINITIONS OF ABBREVIATIONS AND NOTES:** In general, the Very-Low Income Limits are 50% of the local area medians.

(MHH) indicates that the median used for FY2005 published Very-Low Income Limit was the FY2004 median, i.e., held harmless against FY2004 medians.

(HH2) represents the new held-harmless provision. Where a new area is composed of pieces of old areas, the 2005 adjusted Very-Low Income Limit is held harmless against the published FY2005 Very-Low Income Limit of the largest piece.

(HHC) indicates that the Very-Low Income Limits are adjusted for high housing costs.